

CDA FORM 202 -- APPLICATION FORM INSTRUCTIONS

This section provides information for completing the application form (CDA Form 202). The specific information that is to be entered into the individual fields on the application form is described in detail below.

GENERAL INFORMATION

Stage of Processing: A Multifamily Rental Financing Application – CDA Form 202 – must be submitted at each stage of processing which reflects all changes in the project, including current development and operating budgets and pro forma. The application for each processing stage must include all applicable exhibits and attachments described in the applicable submission package.

Project Name and Location: Provide the name of the project and address. If you do not have a specific street address, provide the lot, parcel and tax map numbers for the project's site. Other information required includes the project's census tract, congressional district and legislative district. Optional: If available, provide GPS coordinates.

Applicant Information: Provide the name, mailing address, contact person and title, telephone number, facsimile number and e-mail address of the entity that is applying for financing.

Ownership Entity Information: Provide the name, taxpayer's identification number and type of entity that will ultimately be the borrower or recipient of the tax credits and own the project. If the ownership entity has not yet been formed, please indicate. All ownership entities must be formed with taxpayer identification numbers shortly after reservation letters are received. For corporations and controlling general partners, provide the name, taxpayer identification number, percentage of ownership interest for each individual or entity and whether the entity is a nonprofit corporation.

Amenities: Indicate the amenities planned for the development.

Type of Project: Indicate the type of development being undertaken by marking all appropriate boxes.

Existing Building Information: For the rehabilitation of existing buildings indicate the current percentage of units occupied; whether the rehabilitation will include compliance with historic standards; whether tenants will be permanently or temporarily relocated during the rehabilitation; and the year the building was originally constructed.

Number of Residential Buildings: Show the total number of each type of building included in the project's design.

Total Land Area: Show the total acreage of the project site(s).

Total Building Area: Show the gross square footage of all buildings in the project.

Type of Occupancy: Indicate the number of units that will be occupied by individuals or families, the elderly or for commercial use.

Housing for Persons with Disabilities: Show the number of units that will serve persons with disabilities.

Occupancy Restrictions of Project: Show the number of units that will be income restricted at each income level. All units in the project should be included. Changes to income restrictions after approval could cause the loss of a funding reservation.

Low-Income Use Restrictions: Indicate if the low-income units in the project will be restricted for occupancy for more than 15 years and the total number of years the restrictions will be maintained.

Anticipated Development Schedule: Indicate the month and year that each stage of the development has been or is scheduled to be completed. For site control, indicate if the sponsor currently has site control, the date control expires and the expected date the ownership entity will acquire the site. For zoning, indicate the current zoning. If a change or variance of the zoning is necessary, show the date of application, final hearing and final approval. For applications with Low-Income Housing Tax Credits, a sponsor must (a) incur costs in excess of 10% of the reasonably expected basis of the project (the "10% expenditure test") by within 10 months of the issuance date of the Carryover Allocation, and (b) place the project in service by the end of the second year following the year of the Carryover Allocation. Failure to meet these requirements will result in the loss of the Tax Credits for the project.

Substantial completion is generally the date when 90% of the rehabilitation or construction is complete, all certificates of use and occupancy have been issued, and the architect has issued the certificate of substantial completion. Sustaining occupancy is when the project's income is sufficient to cover operating expenses and debt service for six consecutive months.

DEVELOPMENT TEAM

Development Team Members: Provide the entity's name, mailing address, contact person and title, telephone number, facsimile number and e-mail address for each member of the development team

Lending and Investment Partners: Provide the entity's name, mailing address, contact person and title, telephone number, facsimile number and e-mail address for each lender and/or investor.

Development Team History: Answer each question concerning the history or prior performance of the members of the development team. If you answer yes to any of the questions, provide a brief explanation.

PROJECT INCOME

Residential Rental Income: Low Income Units. For all low income units in the project, show: the number of bedrooms and baths per unit; the number of units of this size and type; the unit size in net leaseable square footage; tenant paid utilities; the contract rent to be paid by the tenant; and rental subsidy (if any) expected for the unit. The monthly income is the net contract rent, adjusted for utilities, and multiplied by the number of units of this size and type. Calculate annual income by multiplying the monthly income by 12 months. The total net leaseable square footage for all units is the sum of the unit size multiplied by the number of units for each size and type. To calculate the vacancy allowance, multiply the total annual income for the low income units in the project by an estimated vacancy rate. The vacancy rate is based upon an analysis of similar projects in the market area. Subtract the vacancy allowance from the total annual income to determine the effective gross income of the low income units

Residential Rental Income: Market Rate Units. For all market rate units in the project, show: the number of bedrooms and baths per unit; the number of units of this size and type; the unit size in net leaseable square footage; and the contract rent paid by the tenant. The monthly income is the contract rent multiplied by the number of units of this size and type. Calculate annual income by multiplying the monthly income by 12 months. The total net leaseable square footage for all units is the sum of the unit size multiplied by the number of units for each size and type. To calculate the vacancy allowance, multiply the total annual income for the market rate units in the project by an estimated vacancy rate. The vacancy rate is based upon an analysis of similar projects in the market area. Subtract the vacancy allowance from the total annual income to determine the effective gross income of the market rate units.

Tenant Paid Utilities: If tenants will pay monthly utilities, show the type of utilities by marking the appropriate box.

Nonresidential Income: Nonresidential income includes but is not limited to commercial space, parking, laundry facilities and vending machines. For all nonresidential income in the project, show a description of the income type and/or size; the square footage (if applicable) and the income generated. Calculate annual income by multiplying the monthly income by 12 months. The vacancy allowance is calculated by multiplying the total annual nonresidential income by an estimated vacancy rate that is based upon an analysis of similar projects in the market area. Subtract the vacancy allowance from the total annual income to determine the effective gross income for nonresidential units.

Effective Gross Income: This is the sum of the effective gross income for all income producing units in the project (low income, market rate) and nonresidential sources.

Non-Income Producing Units: For all community and common spaces included in the project, show the number of units (if applicable) and the square footage of each type of space. The total square footage for all units is the sum of the unit size multiplied by the number of units for each size and type. Manager's units that will never generate rental income should be included here and should not be included in the number of tax credit units.

PROJECT EXPENSES

Fill in the annual estimated expenses for each type listed that is applicable to the project. A management fee is calculated by multiplying the Effective Gross Income by an annual percentage rate. Utility expenses include only those items paid by the owner and should not include tenant paid utilities. If the local government is providing a Payment in Lieu of Taxes (PILOT) agreement, show the total estimated value of the PILOT, the number of years it will be provided, and the annual payment amount under the agreement.

Total Operating Expenses: This is the sum of total administrative expenses, total utility expenses, total operating and maintenance expenses, total taxes and insurance and reserve for replacement deposits.

Net Operating Income: Calculate the project's Net Operating Income by subtracting the Total Operating Expenses from the Effective Gross Income for all units.

SOURCES OF FUNDS

Debt Service Financing: For all must pay debt, indicate the type of funds, the name of the bond issuer or lender, the required debt coverage ratio, the total annual payment, the interest rate, the amortization period of the loan, the actual loan term, and the maximum supported loan amount. Also, show the annual payment associated with any bond insurance premium. For loans receiving credit enhancement, indicate the name of the credit enhancer.

Cash Flow Financing and Grants: For all loans that will be repaid from cash flow, show the type of funds, the name of the lender, and the percentage of cash flow that will be applied to payments due on the loan, the anticipated annual payment, the interest rate, the loan term, and the loan amount. Calculate the maximum loan amount from Rental Housing Funds on the table that follows. Generally, the Rental Housing Fund loan may not exceed \$2.0 million. Generally, Rental Housing Fund loans are expected to be serviced from 75% of available cash flow, see section 4.7.2 of Guide for more information. For grants, show the type of funds, the name of the grantor, the term of the grant (if applicable), and the amount of the grant.

Total Debt: Add the total loan amounts for the cash flow loans and the total maximum mortgage amounts for the debt service financing to determine the total debt.

Equity: Indicate the source and amount of equity proceeds generated from the sale of low income and/or historic tax credits. Also, identify the developer's equity that is not from syndication proceeds. The Department requires that equity from the sale of competitively allocated tax credits be sufficient to cover syndication related costs, guarantees and reserves, developer's fee and at least 10% of total development costs.

Total Sources of Funds: The total sources of funds are the sum of the total financing and the total equity and must equal the total uses of funds.

Maximum Rental Housing Funds Loan Amount: The maximum Departmental loan amount is calculated on the cost of the project and the amount of gap financing needed. Subtract the total debt service maximum mortgage amount, HOME financing from non-Departmental sources, the amount of any other cash flow loan, historic tax credit syndication proceeds and Low-Income Housing Tax Credit proceeds from the project's total development costs.

USES OF FUNDS

Fill in the total estimated amount for each use of funds listed that is applicable to the project. For applications requesting Low-Income Housing Tax Credits, show the total costs included in the project's acquisition basis and construction or rehabilitation basis, and those that are not included in the tax credit basis. If you have any questions concerning the costs to be included in the project's tax credit basis or the Low-Income Housing Tax Credit, please consult your accountant or attorney for more information before submitting an application for funding.

Construction or Rehabilitation Costs: Net construction costs (shown in the Department's Form 212 – Summary Cost Estimate and Form 215 – Detail Cost Estimate) are construction costs that do not include a builder's general requirements, builder's profit, general overhead, bond premium, construction contingency or other fees. Also indicate the builder's general requirements, builder's profit and overhead, as a percentage of net construction costs. Off-site improvements should not be included as a part of the construction cost; include any off-site improvements under acquisition costs. For limits on builder's general requirements, builder's profit and general overhead refer to the Multifamily Rental Financing Program Guide. Bond premiums include the actual premium paid for performance and payment bonds or the actual cost paid to a lending institution for letters of credit to assure construction completion. A construction contingency of 5% to 10% of the total construction contract is required to fund unforeseen construction work items. **The construction contingency may not be included in tax credit basis.**

Fees Related to Construction and Rehabilitation: For the architect's design and supervision fees, show the applicable percentage of the total construction contract. Real Estate Attorney Legal fees directly related to closing the loans are tax credit basis eligible. Legal fees related to the syndication of tax credits must be included under syndication related costs. For limits on the architect's design fee and architect's supervision fee refer to the Multifamily Rental Financing Program Guide.

Financing Fees and Charges: Construction interest is calculated on the funds disbursed during the construction loan period based on a projected monthly draw schedule. Mortgage Insurance Premium is the premium charged for mortgage insurance during the construction loan period only. Title and recording costs are those estimated by the title attorney. A financing (soft cost) contingency may not exceed 1.5% of the CDA loan amount to cover unanticipated interest and financing costs. Fees due to CDA are detailed in Exhibits A and B of the Multifamily Rental Financing Program Guide. .

Acquisition Costs: If the site includes existing buildings, allocate the cost between land and buildings. Generally, there cannot have been any transfer of ownership within the past 10 years for buildings to be eligible for an acquisition tax credit.

Total Development Costs: This is the sum of total construction costs, total fees, total financing fees and charges and total acquisition costs.

Maximum Developer's Fee: The developer's fee is calculated as a percentage of total development costs. A fee of up to 15% is allowed on the first \$10 million of total development costs (less acquisition-related costs construction and soft cost contingencies) and up to 10% on total development costs (less acquisition-related costs and construction and soft cost contingencies) over \$10 million. A fee of up to 10% is allowed on the first \$10 million of acquisition-related costs and up to 5% on acquisition-related costs over \$10 million. Generally, the total developer's fee may not exceed \$2.5 million.

Syndication Related Costs: These are costs incurred when syndicating a project with historic tax credits or Low-Income Housing Tax Credits. Syndication related costs may not be paid with Department loan proceeds. Generally, these costs are not included in the project's tax credit basis.

Guarantees and Reserves: Guarantees and reserves should include only funded amounts required by the Department, other lenders or syndication firms and cannot be funded with Department loan proceeds. Refer to the Multifamily Rental Financing Program Guide for the Department's requirements for Guarantees and Reserves.

Total Uses of Funds: This is the sum of total development costs, developer's fee, total syndication related costs, and total guarantees and reserves.

LOW-INCOME HOUSING TAX CREDIT

Complete this section only if you are applying for a Low-Income Housing Tax Credit from the Department. If you have any questions concerning this section or the Low Income Housing Tax Credit, please consult your accountant or attorney for more information before submitting an application for funding.

Type of Low Income Housing Tax Credit Requested: Mark each box that applies to the type(s) of tax credit you are requesting. To be eligible for an acquisition tax credit, the project must also include substantial rehabilitation. The Department's standard of substantial rehabilitation for threshold review is different than the federal Tax Credit definition. Refer to the Multifamily Rental Financing Program Guide for the Department's standard of substantial rehabilitation.

Location and Placed-In-Service Information: If you are requesting an acquisition or rehabilitation tax credit, complete this table for each building in the project. Show the following information for each building: a specific street address; the type of site control; the date each control document expires; the number of units; the purchase price; the date the building was last placed-in-service; the date the sponsor expects to place the building in service; and the number of years between the sponsor's anticipated placed-in-service date and the date the building was last placed in service. Generally, the building must not have been placed in service during the last 10 years to be eligible for an acquisition tax credit. The total purchase price should be the same as shown for acquisition costs on the Uses of Funds worksheet.

Substantial Rehabilitation Determination: To be eligible for a rehabilitation tax credit, the total costs associated with the rehabilitation must exceed the greater of \$6,000 per unit or 20% of the project's adjusted basis, although the Department requires a minimum of \$15,000 per unit in total hard costs. Check the box that applies to the project.

Minimum Set-aside Election: The sponsor must elect one of the two minimum set-aside elections under the tax credit program. At least 20% of the units must be occupied by households with income below 50% of the area median or 40% of the units must be occupied by households with income below 60% of the area median. The overall occupancy restrictions for the project shown on the General Information sheet will be used to calculate the tax credit basis. Make the election by marking one box only.

Rent Floor Election: Sponsors may elect to establish the rent floor for the project as of the date of allocation or the date the project is placed in service. Make the election by marking one box only.

Syndication Information: If the project will be syndicated, show the name of the syndication firm, contact person and telephone number, whether the offering is public or private, the type of investors, and the percentage, amount and the dates that funds will be paid into the partnership.

Maximum Low-Income Housing Tax Credit Based on Eligible Costs: This is the amount of tax credit the project is eligible for based on its qualified basis. The actual amount of tax credit the project receives may be less than the amount for which it is eligible and will be limited to the amount needed for financial feasibility. Calculate the adjusted project costs by subtracting from the Total Uses of Funds any federal grants financing qualifying costs, other non-qualifying financing, the value of any commercial space in the project, costs associated with any non-qualifying units of higher quality, and any historic tax credit. The new construction or rehabilitation basis may be increased up to 130% if the project is in a Federally-designated Qualified Census Tract (QCT) or Difficult Development Area (DDA) as published by the U.S. Department of Housing and Urban Development and has a Concerted Revitalization Plan. In addition, any family project located in a Community of Opportunity may also receive up to 130% basis boost. The applicable fraction is the portion of the project that eligible low-income households will occupy. Multiply the eligible basis by the applicable fraction to find the qualified basis. The applicable percentages are the percentages calculated monthly by the Internal Revenue service based on the present values of the total credits for federally subsidized, acquisition and non-federally subsidized properties. For the applicable percentage on new construction or rehabilitation, enter 4%, if the qualified basis is financed with tax-exempt bonds or other federal subsidy, otherwise, enter 9%. For the applicable percentage on acquisition costs, enter 4%. While the Department uses an applicable percentage of 4% for evaluation purposes, any allocation of tax credit will ultimately be limited to the actual applicable percentage in effect for the project. The Low-Income Housing Tax Credit eligible basis is the qualified basis multiplied by the applicable percentage.

Estimated Low-Income Housing Tax Credit Syndication Proceeds: Estimate the syndication proceeds that can be generated from any historic tax credit and the Low-Income Housing Tax Credit. Combine the Low-Income Housing Tax Credits generated by the project's eligible basis and multiply the total by 10 years to determine the total tax credit received over the period. Multiply this by the raise ratio from the syndication proposal to determine the gross proceeds generated by the Low-Income Housing Tax Credit. In the absence of a commitment from a syndication firm, the Department will apply a syndicator's raise rate based on its understanding of current market conditions. Contact the Department for the current estimated rate. Add to this the gross proceeds as the result of any historic tax credit for the total equity from syndication proceeds.

Maximum Low-Income Housing Tax Credit Based on Proceeds Needed: This calculates the maximum amount of Low-Income Housing Tax Credit needed for the project. The proceeds needed are the lesser of the total Equity from Syndication Proceeds or the Financing Gap. Subtract the gross proceeds of any historic tax credit from the total proceeds needed to determine the proceeds needed from Low-Income Housing Tax Credits. Divide this by the raise ratio from the syndication proposal to figure the total tax credit received over the tax credit period. Divide this by the 10-year period to determine the maximum Low-Income Housing Tax Credit requested.

Sources of Federal Financing: Sponsors must disclose the amount of all direct and indirect federal funds that are financing qualified project costs. Show the federal funds applicable to the project. If a source of funds is not included, show the amount under other and provide a brief description.

Applicable Fraction: The applicable fraction is the portion of the project that eligible low-income households will occupy. The lesser of the percentage of low-income units to total units or low-income square footage to total square footage determines the applicable fraction.

Applicable Percentage: The applicable percentage is the rate determined monthly by the Internal Revenue Service based on the present value of the Low Income Housing Tax Credits estimated to be received by the project. The percentages generated by the present value calculations are commonly referred to as 4% credits for acquisition or for federally subsidized development or 9% for non-federally subsidized development.

Historic Tax Credit: Calculate the gross proceeds from any historic tax credit by multiplying the amount of the historic tax credit by the raise ratio from the syndication proposal.

PROJECT SUMMARY INFORMATION

General Information: Provide the project information, funding applied for, and occupancy restrictions of the project.

Project Income: Indicate total units for the low-income units, market rate units and nonresidential sources from the Project Income worksheet. The Potential Gross Income will automatically populate based on the information entered in the Project Income worksheet. Fill in the number of years until sustaining occupancy; the years until sustaining occupancy are the number of years between the application submission date and the estimated date of sustaining occupancy shown in the anticipated development schedule. For the annual trending, fill in the estimated annual increase in rents. The trend can be based upon experience with similar projects or determined in the market study. The trended income (at the time of sustaining occupancy) will be calculated by multiplying the annual income by the sum of the years until sustaining occupancy and annual trending rate and adding this result to the annual income. The vacancy allowance is the sum of the trended income multiplied by the vacancy rate for each unit type. These figures will automatically populate the 20-Year Operating Pro Forma in the next worksheet.

Project Expenses and Cash Flow: The annual expense for each project expense category will automatically populate based on the information entered in the Project Expenses worksheet. For administrative, utility, operating maintenance, taxes and insurance, and reserve for replacement, indicate the number of years until sustaining occupancy and the annual trending rate. The management fee is not trended but is always a percentage of effective gross income. The other expenses will be trended by multiplying the annual expense by the sum of the years until sustaining occupancy and annual trending rate and adding this result to the annual expenses.

Sources and Uses of Funds: The summary information will be drawn from information you completed on the Sources of Funds and Uses of Funds worksheets.

Project Description: Enter a narrative description that highlights the unique or innovative characteristics of the project.

20-YEAR OPERATING PRO FORMA

Income: The trended income will automatically populate based on the information entered in the Project Summary Worksheet. Each year after that, the annual income for the low income, market rate and nonresidential units should be trended forward by the rate shown in the Project Summary Information worksheet. Income is trended annually by multiplying the previous year's income by the trending rate and adding it to the previous year's annual income. The vacancy allowance is the sum of the vacancy rate times the gross income for each type of income.

Expenses: The trended expenses will automatically populate based on the information entered in the Project Summary Worksheet. The management fee is not to be trended. Other expenses are trended annually by multiplying the previous year's expenses by the trending rate and adding it to the previous year's expenses. The trended net operating income is calculated by subtracting the trended expenses from the trended effective gross income.

Debt Service Financing: Annual debt service payments are entered for each year from the Debt Service Financing table in the Project Summary Information section. The debt coverage ratio is calculated by dividing the net operating income by the total debt service payments.

Cash Flow Financing: Annual cash flow payments are calculated for each year by multiplying the cash flow by the Percentage of Cash Flow for Payment shown in the cash flow financing table in the Project Summary Information worksheet. The remaining cash flow is calculated by deducting debt service and cash flow payments from the trended net operating income. The debt coverage ratio is calculated by dividing the net operating income by the sum of the total debt service payments and the total cash flow debt payments.